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IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

PIHER INTERNATIONAL CORPORATION and PIHER SOCIEDAD ANONIMA,

Petitioners,

v.

CTS CORPORATION,

Respondent.

PETTTION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED FOR REVIEW

Bearing in mind that the particular court of appeals below (the recently-created "CAFC") has *exclusive* jurisdiction of appeals involving the statute in question herein, and that the *sole* purpose of the statute is to protect the public's, in the words of this Court in *Precision Instrument, infra* page 4, "paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope"; the principal questions presented for review are:

1. Did the court of appeals effectively repeal a federal statute (35 U.S.C. Section 135(c)), which statute was enacted by Congress for the purpose of codifying the broad public policy, anticompetitive considerations set forth by this Court in *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co., infra* page 4?

2. Did the court of appeals err, as a matter of law, by construing 35 U.S.C. Section 135(c) in a manner contrary to the clear language of the statute, contrary to the expressed legislative intent behind the statute, and in a manner that clearly conflicts with this Court's decisions regarding statutory construction and interpretation in *Consumer Products Safety Commission v. GTE Sylvania, infra,* and *Commissioner v. Brown, infra* pages 14-15?

3. Did the court of appeals, by its adding to the statute the nebulous "causal connection" requirement (which requirement is neither present nor even remotely suggested whatsoever anywhere in the statute or its legislative history), so severely narrow the scope of Section 135(c)

that few, if any, settlement agreements need ever be filed in the Patent Office, which means that the United States Department of Justice will rarely, if ever, be able to perform its duty to the public under this statute?

4. More specifically, did the court of appeals err in concluding that, as a matter of law, although a settlement agreement expressly refers to a pending patent interference as one of the matters being settled, it somehow does *not* fall within the scope of the statute, notwithstanding the fact that the statute, by specific legislative intent, clearly and plainly states that its scope includes:

> "*any* agreement or *understanding* between the parties to an interference, including *any collateral* agreements referred to therein, made in *connection with* or in *contemplation of* the termination of the interference, . . ." (emphasis added)?

PARTIES TO THE PROCEEDING

In compliance with Supreme Court Rule 21(b), the parties to the proceeding in the court whose judgment is sought to be reviewed are identified as those listed in the caption of the case in this Court.

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In The

Supreme Court of the United States

October Term, 1983

PIHER INTERNATIONAL CORPORATION and PIHER SOCIEDAD ANONIMA,

Petitioners,

v.

CTS CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

OPINIONS DELIVERED IN THE COURTS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit, whose judgment is sought to be reviewed herein, was entered on February 17, 1984, and is reported at 727 F.2d 1550, 221 U.S.P.Q. 11 (Appendix B herein).

The District Court decision for which review was sought in the Court of Appeals, is reported at 219 U.S.P.Q. 1180 and 219 U.S.P.Q. 1177 (Appendix C herein).

Prior related litigation between the parties is identified in the court of appeals decision at 727 F.2d 1550, 1552-54 (Appendix pages B-3 through B-6 herein).

JURISDICTION

Jurisdiction of the Court is invoked under Title 28, United States Code, Section 1254(1).

This petition is being filed within the 90-day period permitted under Title 28, United States Code, Section 2101(c), from the entry of the decision by the Court of Appeals on February 17, 1984.

THE STATUTE INVOLVED

The more relevant portion of the statute involved in this Petition is as follows:

TITLE 35

Section 135, Interferences

* * *

"(c) Any agreement or understanding between the parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent and Trademark Office before the termination of the interference as between the said parties to the agreement or understanding. . . . Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. . . ."[1]

[1] The complete text of 35 U.S.C. Section 135(c) is reproduced in the Appendix hereto at page A-1.

STATEMENT OF THE CASE

A. Basis For Federal Jurisdiction Below.

On January 25, 1982, the United States District Court for the Northern District of Illinois entered a Judgment Order pursuant to a settlement agreement between the parties hereto. One of the provisions of that Order provided for that district court to retain continuing jurisdiction of the subject matter and the parties for the purposes of assuring that the judgment was fully and completely discharged.

On January 14, 1983, the Petitioner herein ("Piher") filed a motion in the Illinois district court pursuant to Rule 60(b)(6) of the Federal Rules of Civil Procedure to modify the Judgment Order. The district court denied the motion and Piher appealed to the Court of Appeals for the Federal Circuit.

The appellate court based its jurisdiction on 28 U.S.C. Section 1295(a) (1982) and *Cinerama, Inc. v. Sweet Music, S.A.*, 482 F.2d 66, 71-72 (2d Cir. 1973) "(a denial of a Rule 60(b)(6) motion is final and appealable)" (727 F.2d 1555; Appendix p. B-9). The appeal was heard on November 10, 1983, and the court of appeals entered its decision on February 17, 1984, affirming the district court's denial of the Rule 60(b)(6) motion.

B. The Statute.

The function of 35 U.S.C. §135(c) is to enable the Justice Department to inspect "any" agreements or "understandings", and "any collateral agreements referred to therein", made "in connection with" or "in contemplation of" the termination of a patent interference to discover whether

or not such agreements or understandings contain any possible anticompetitive elements (Appendix p. A-1; 727 F.2d 1550, 1555-56; Appendix pp. B-9-10). This statute was enacted by Congress for the purpose of codifying the broad public policy, anticompetitive considerations as set forth by this Court in *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*, 324 U.S. 806; 65 S.Ct. 993; 89 L.Ed. 1381 (1945), where the Court stated:

> "* * * The possession and assertion of patent rights are 'issues of great moment to the public' [citing cases]. A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the 'progress of science and useful arts'. At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. The facts of this case must accordingly be measured by both public and private standards of equity." (324 U.S. 806, 815-16)
>
> * * *
>
> ". . . Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. [citations omitted] This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts rele-

> vant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.' [citations omitted]" (*Id.* at 818).

The Department of Justice comments made during Senate considerations of Section 135(c) quoted the first paragraph of the above portion of this Court's decision in *Precision*, and then included the following statement:

> "The purpose of this legislation is to make it more difficult for patent applicants to use an interference settlement agreement as a means of violating the antitrust laws. It seeks to accomplish this purpose by providing that no such *agreement* or *understanding* shall be enforceable unless all of its terms are in writing and filed prior to the termination of the interference proceeding." S.Rept.No.2169, 87th Cong., 2d Sess., Reprinted in 1962 U.S. Code Cong. & Ad. News, 3286, 3289 (emphasis added).

But, according to the Justice Department, the above-quoted language was not sufficient. It went on to say:

> "It is our view that this prohibition would not adequately deter violations of the antitrust laws. It is therefor suggested that the measure be amended to provide that the parties to an interference settlement agreement shall be precluded from enforcing the resulting *patent* unless a copy of the settlement agreement has been filed with the Patent Office prior to the termination of the interference." (*Id.*, emphasis added)

The statute as enacted incorporated this additional request of the Justice Department.

In the Senate Report on this statute, the central purpose of the statute was recited as follows:

> "The purpose of this bill is to amend the patent laws to require the filing in the Patent Office of agreements settling patent interference proceedings. When two or more applicants claim substantially the same invention, an interference is declared in order to determine which applicant is entitled to priority. Interference proceedings may be terminated in a manner hostile to the public interest by using patent interference settlement agreements as a means of restricting competition. To make such a practice more difficult the bill requires the filing of such agreements in the Patent Office." *Id.* at 3286.

The House Report further emphasizes the purpose of the statute:

> "Recent experience has indicated that parties have sometimes used these interference proceedings in derogation of the public interest, in that interference settlement agreements have been entered into for the purpose of restricting competition . . . [T]he bill would make it more difficult for patent applicants and owners to use an interference settlement agreement as a means of secretly violating the antitrust laws." (H.R. Rept. No. 1983, 87th Cong., 2d Sess. 1 (1962); as quoted in *U.S. v. FMC Corp.*, 514 F.Supp. 1166, 1169 (E.D. Pa. 1981) reversed on other grounds, 717 F.2d 775 (3rd Cir. 1983)).

The importance of having a broad disclosure provision in Section 135(c) was well understood by the bill's sponsors. Representative Willis, who introduced the bill and chaired the House hearings, commented during the hearings on the extent of the disclosure required:

> "The bill in my view . . . would be meaningless if it didn't contemplate that the agreement filed, which

> you say would never disclose any antitrust features, should be the *whole agreement.* If that agreement is not the *total agreement,* that patent is possibly going to fall because you are defrauding the Government. You haven't set forth your *true agreement.* * * * In other words, if you say the parties are not going to disclose what their *true agreement* is anyway because then they would be convicting themselves of antitrust shenanigans, and implying that their *true agreement* would be a *side one,* I say to that that if you are not filing what you are *really agreeing to,* your patent is going to fall which would seem to me to be the proper construction" (H.R. Rep. No. 1983, 87th Cong., 2d Sess. 17 (1962), emphasis added).

Representative Tuck stated at those same hearings that "[t]he object of this bill is to bring *everything* out into the light and put *everything* in the report." (*Id.* at 11, emphasis added).

Finally, during the Senate hearings, the Commissioner of Patents at that time, David Ladd, was asked whether he thought the language of the bill was unclear regarding the types of agreements required to be filed. Commissioner Ladd responded:

> "As to clarity, it seems to me it is quite clear. It is *all* agreements in *contemplation* or in settlement of interferences." (S.Rept.No.2169, 87th Cong., 2d Sess., Reprinted in 1962 U.S.Code Cong. & Ad.News, 3286, 3289; emphasis added).

The statute includes not only "any agreement or understanding" but also "any collateral agreement referred to therein" made in "connection with" or in "contemplation of" the termination of the interference.

C. The Settlement Agreements Herein.

After years of litigation, the details of which are not particularly relevant here, management representatives of CTS and Piher met in Chicago on November 23, 1981, to discuss and settle the then-pending interference litigation (and other matters) between them (Appendix p. B-6). At the close of the meeting, CTS proposed a number of basic terms of settlement and gave Piher 24 hours to accept or reject them (*Id.*). Piher accepted these basic terms on the next day, November 24, 1981 (*Id.*). This agreement was reduced to writing on November 25, 1981; various minor changes were made in the written agreement; and the parties formally executed a copy of the agreement on December 10 (CTS) and December 16 (Piher) (*Id.*).

This settlement agreement expressly recited the fact that one of the litigation matters that the parties were settling was the interference (727 F.2d 1554; Appendix p. B-6).

Two collateral agreements referred to in the first agreement were prepared and executed by the parties on January 14, 1982. At least one of these collateral agreements expressly recited that the parties were "agree[ing] to terminate" the interference (727 F.2d 1554; Appendix pp. B-6-7).

The three settlement agreements formed the basis for the district court's entry of its judgment order on January 25, 1982.

None of the three settlement agreements were ever filed in the United States Patent and Trademark Office.

D. The Interference.

As found by the court of appeals (727 F.2d 1552-53; Appendix pp. B-3 through B-6), the interference litigation proceeded, via appeal pursuant to 35 U.S.C. Section 146, through the United States District Court for the Northern District of Indiana and the Seventh Circuit Court of Appeals. The Seventh Circuit rendered a decision adverse to Piher on November 4, 1981.

On November 18, 1981, a few days prior to the settlement meeting, Piher filed a Petition for Rehearing in the interference litigation before the Seventh Circuit Court of Appeals. On December 2, 1981, approximately a week after the settlement meeting and resulting agreement, the Petition for Rehearing was denied. Pursuant to 28 U.S.C. Section 2101(c), absent the settlement, Piher was then entitled to file a petition for Writ of Certiorari to this Court within 90 days thereafter; namely, by March 2, 1982.

The interference litigation was terminated, however, on January 25, 1982, when the district court entered its judgment order because that order by its terms effectuated the parties' agreement to settle the interference. Piher did not file a Petition for Writ of Certiorari.

E. Disposition In The Court Below.

In affirming the district court's denial of Piher's Rule 60(b)(6) motion, the court of appeals agreed with the district court's conclusion of law that, ". . . pursuant to Section 135(c), there must be a *causal relationship* between the agreements and the termination of the interference" (emphasis added). (727 F.2d 1556; Appendix p. B-11). Similarly, it agreed with the district court's holding that such a relationship was absent so that the settlement agreements need not have been filed in the Patent Office.

The court of appeals agreed with the district court's findings that there was no "causal relationship" for three reasons:

1. ". . . the possibility of filing a writ petition was not discussed at the November 23, 1981, settlement meeting, and thus, no causal relationship was shown." (727 F.2d 1556; Appendix p. B-12).

2. ". . . references to the interference in [settlement] documents A and B did not indicate a causal relationship between the settlement of the infringement and the termination of the interference." (727 F.2d 1557; Appendix p. B-14).

3. Although the settlement agreements recite the interference as one of the matters being settled, the agreements ". . . were not made in connection with or in contemplation of the termination of the interference." (727 F.2d 1557-58; Appendix p. B-14).

ARGUMENT

A.

THE COURT OF APPEALS' DECISION EFFECTIVELY REPEALS 35 U.S.C. SECTION 135(c).

By adding the "causal relationship" requirement to Section 135(c), the court of appeals has effectively repealed the statute because, relying upon this additional, court-created requirement, artful drafters will have little difficulty writing agreements (particularly tangential or subsequent, apparently wholly-unrelated side agreements) that appear not to be causally related to the termination of the interference. Rationalizing that such agreements are therefore not "causally related" to the interference termination, they will no doubt conclude that such agreements need not be filed in the Patent Office. Thus, few if any agreements will be filed in the Patent Office for Justice Department inspection.

More specifically, the court of appeals' addition of the "causal relationship" requirement to the statute appears to be an attempt to infuse the statute with equitable considerations. The statute is strictly punitive, however, and it leaves no room for equitable considerations (*United States v. FMC*, 215 U.S.P.Q. 43, 51, n.6-7 (E.D. Pa. 1982); *Moog v. Pegasus*, 521 F.2d 501, 502 (6th Cir. 1975); *Esso Research v. Brenner, Commissioner of Patents*, 425 F.2d 270 (D.C. Cir. 1970)), except for the six-month "grace period" which permits late filing upon a proper showing (not at issue herein because the agreements were never filed in the Patent Office).[2] A literal interpretation of the

[2] This "grace period" was incorporated into the statute in response to those who expressed concern about its harshness. Congress thus clearly set the limit as to any equitable consideration regarding enforcement of the statute.

broad all-encompassing terms of the statute is clearly what was intended by Congress (see pp. 6-7 herein).

Indeed, if the statute is not strictly applied, its sole purpose will be thwarted and, thereby, the statute effectively repealed because anything less than a literal application of the broad terms of the statute creates an easy means for evading the statute. There can be no doubt that parties bent upon entering into anticompetitive agreements in connection with interference settlements will seize upon this court-created means of evading the statute so that they may keep such agreements secret. As the court said in the *FMC* decision, *supra*:

> "A broad interpretation of the statute makes it difficult for parties to an interference to hide anticompetitive terms of their settlements in side agreements which do not 'causally' terminate the interference because even side agreements would have to be filed. A narrow interpretation, however, encourages parties seeking to circumvent the antitrust laws to hide provisions, offensive to the antitrust laws, in unfiled agreements which are tangentially related to the filed agreement." (*United States v. FMC*, 215 U.S.P.Q. 51, reversed on other grounds).

Moreover, not only does the "causal relationship" requirement added to the statute by the appellate court severely narrow the scope of the statute, but the appellate court's application of its self-created limitation of the statute reduces the scope of the statute to next to nothing. In other words, if a settlement agreement that *expressly* refers to an interference as a pending matter that the parties to the agreement are settling, as at least two did in the present case, does not have sufficient "causal relationship" to come within the scope of the statute, as the appellate court concluded, then it is very difficult if not impossible to conceive an agreement that would fall

within the appellate court's interpretation of the statute. Unless this Court grants this Petition, parties to an interference will have no trouble whatsoever drafting settlement agreements, with anticompetitive aspects, that fall outside the narrow "causal relationship" scope of the statute created by the appellate court's decision. Thus, these agreements will escape scrutiny by the Justice Department and their illegal aspects will remain secret.

Because all litigation involving Section 135(c) of Title 35 will be heard *only* by the Court of Appeals for the Federal Circuit, pursuant to 28 U.S.C. Section 1295(a), the statute effectively has been repealed unless the decision of that court is reversed.

B.

THE COURT OF APPEALS CONSTRUED THE STATUTE IN A MANNER CONTRARY TO THE CLEAR LANGUAGE OF THE STATUTE.

The terms used in the statute are broad, not narrow. The statute uses the terms "any", "understanding", "collateral", "in connection with", "or in contemplation of", all of which terms are obviously broad and intended to require the filing of as many agreements as possible, as very clearly evidenced by the statute's legislative history (e.g., see pp. 6 and 7 herein). Nowhere in the statute, nor in its legislative history, is there even the slightest hint that only a particular type and kind of patent interference settlement agreement need be filed.

Moreover, the court of appeals' decision does not address the important phrase in the statute "or collateral agreements referred to therein". By the use of this phrase alone, the statute itself emphasizes that agreements need *not* be "causally related" to the termination of the interference to fall within the scope of the statute.

Congress deliberately required the filing of *all* agreements, or understandings, bearing on the settlement of interferences to ensure that anticompetitive terms were not submerged in unfiled side agreements, *and enacted this statute which is specifically designed to accomplish that goal.*

C.

THE COURT OF APPEALS' CONSTRUCTION OF THE STATUTE IS CONTRARY TO THIS COURT'S GUIDELINES.

As this Court said in *Consumer Products Safety Commission v. GTE Sylvania*, 447 U.S. 102, 108 (1980):

> "[T]he starting point for interpreting a statute is the language of the statute itself. Absent a clearly expressed legislative intention to the *contrary*, that language *must* ordinarily be regarded as *conclusive*." (emphasis added).

In the present case, however, the appellate court did not apply the broad interpretation of the statute intended by both the literal meaning of the broad terms of the statute and by its legislative history. Rather, the appellate court added the nebulous requirement of "causal relationship" (727 F.2d 1550, 1556; Appendix p. B-11) which, particularly as applied by the appellate court, narrows the statute to the point where few, if any, settlement agreements (much less, "understandings" or "collateral agreements", to use the actual terms of the statute) need be filed. Consequently, if this interpretation of the statute is permitted to stand, the United States Department of Justice will rarely, if ever, be able to perform its duty to the public.

In *Commissioner v. Brown*, 380 U.S. 563, at 571 (1965) this Court said:

> "Unquestionably the courts, in interpreting a statute, have some 'scope for adopting a restricted rather than a literal or usual meaning of the words where acceptance of that meaning would lead to absurd results . . . or would thwart the obvious purpose of the statute.' (citations omitted). But it is *otherwise* 'where no such consequences would follow and where . . . it appears to be *consonant with the purposes of the Act. . . .*' " (emphasis added).

The appellate court in the present case, however, did not construe the statute in a manner consonant with its purpose of subjecting to review as many agreements as possible. Instead, the appellate court construed the statute in a manner such that very few, if any, agreements will be filed, which construction clearly thwarts the obvious purpose of the statute.

D.

THE COURT OF APPEALS' CONSTRUCTION OF THE STATUTE IS CONTRARY TO PRIOR CASE LAW.

The Sixth Circuit Court of Appeals in its decision in *Moog v. Pegasus*, 521 F.2d 501 (1975), points out the very strong public policy behind Section 135(c); that it is for the benefit of the public, not the parties (521 F.2d at 504). In *Moog*, the appeals court affirmed the district court's decision declaring a patent permanently unenforceable because of the failure to file a *supplemental* settlement agreement between the parties to the interference. The original settlement agreement was properly filed in accordance with Section 135(c) but, even though an agreement supplementing the original agreement was in fact filed with the Patent Office, it was not filed within the time prescribed by Section 135(c). In declaring the patent involved permanently unenforceable, the Sixth Circuit Court of Appeals held:

> "We hold that this statute [35 U.S.C. Section 135(c)] is designed to restrict monopolistic practice and (at least for purposes of this case) means just what it says and *requires no interpretation*" (521 F.2d 502; emphasis added).

In finding a violation of Section 135(c), the Court of Appeals for the District of Columbia said in *Esso Research v. Brenner, Comr. Pats.*, 165 U.S.P.Q. 486 (1970):

> "Although the sanction is concededly harsh, especially in a case like this where only human failure—and not deliberate disregard—was apparently involved, only Congress can conceivably relieve appellant from the consequences which *surely attach under the statute* as written." (emphasis added).

As previously noted at page 11, Congress responded to those who were concerned by the harsh penalty for violating the statute by providing a six-month "grace period." That was the limit to which Congress was persuaded to go as far as providing any equitable consideration in the statute.

CONCLUSION

Wherefore, Petitioners respectfully submit that the appellate court's decision herein, if allowed to stand, effectively repeals 35 U.S.C. Section 135(c). This statute was enacted by Congress for the purpose of protecting the public's "paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope, as set forth by this Court in the *Precision Instrument* decision.

The appellate court construed the statute in a manner contrary to the clear language of the statute, contrary to the expressed legislative intent, and in a manner that clearly conflicts with this Court's decisions regarding statutory construction and interpretation. By adding the "causal connection" requirement to the statute, which requirement is completely at odds with the terms and purpose of the statute, the appellate court so severely narrowed the scope of the statute that the Justice Department will rarely, if ever, be able to perform its duty to the public under the statute.

The appellate court's decision should be reversed, with instructions to the effect that the statute means exactly what it says and should be applied and enforced as written.

Respectfully submitted,

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APPENDIX A

Section 135(c) of Title 35 U.S.C. reads as follows:

"Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent and Trademark Office before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file in the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

Any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act. (Amended October 15, 1962, Public Law 87-831. 76 Stat. 958; and January 2, 1975, Public Law 93-596, sec. 1, 88 Stat. 1949)."

APPENDIX B

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CTS CORPORATION, *Appellee*,	)	Consolidated Appeal Nos. 83-1119 83-1120 83-1146 83-1147
v.	)	
PIHER INTERNATIONAL CORPORATION and PIHER SOCIEDAD ANONIMA, *Appellants.*	)	

DECIDED: February 17, 1984

Before KASHIWA and SMITH, *Circuit Judges*, and WISDOM,* *Senior Circuit Judge.*

KASHIWA, *Circuit Judge.*

This is a consolidated appeal from a judgment order of the United States District Court for the Northern District of Illinois (Nos. 72 C 1891 and 76 C 1152), entered May 25, 1983. In its oral findings of fact and conclusions of law, the district court denied, *inter alia*, Piher International Corporation and Piher Sociedad Anonima's

* The Honorable John Minor Wisdom, Senior Circuit Judge, United States Court of Appeals for the Fifth Circuit, sitting by designation.

("Piher") Rule 60(b)(6)[1] motion to modify the district court's judgment order entered January 25, 1982. *CTS Corp. v. Piher International Corp.*, 219 USPQ 1180. The Rule 60(b)(6) motion was sought in order to render unenforceable the agreements and the CTS patents which were cited in the January 25, 1982 judgment order because of appellee's, CTS Corporation ("CTS"), failure to file certain documents with the United States Patent and Trademark Office (the "PTO") pursuant to 35 U.S.C. § 135(c).[2] In addition, the district court denied appellee's motion for attorneys' fees. We affirm.

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[1] Rule 60(b)(6), F.R.Civ.P. 60(b)(6), states:

Rule 60. *Relief from Judgment Order*

(b) Mistakes; Inadvertence; Excusable Neglect; Newly Discovered Evidence; Fraud, etc.
On motion and upon such terms as are just, the court may relieve a party or his legal representatives from a final judgment, order, or proceeding for the following reasons:

* * * * *

(6) any other reason justifying relief from the operation of the judgment. The motion shall be made within a reasonable time * * *. A motion under this subdivision (b) does not affect the finality of a judgment or suspend its operation. This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment, order, or proceeding, or to grant relief to a defendant not actually personally notified as provided in Title 28, U.S.C., § 1655, or to set aside a judgment for fraud upon the court. Writs of coram nobis, coram vobis, audita querela, and bills of review and bills in the nature of a bill of review, are abolished, and the procedure for obtaining any relief from a judgment shall be by motion as prescribed in these rules or by an independent action.

[2] 35 U.S.C. § 135(c) states:

§ 135. *Interferences*

(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent and Trademark Office before

(Footnote continued on following page)

Background

This case is the latest in a series of decisions dating back to 1975; the instant action is an appeal of the denial of a post-judgment motion relating to a patent infringement lawsuit.[3] During the relevant period of this appeal,

[2] *continued*

the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

Any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act.

[3] The infringement lawsuit comprised two civil actions the first of which, Civil Action No. 72 C 1891, involved Piher's infringement of four CTS patents. The four CTS patents are U.S. Patent Nos. 2,740,027; 3,375,478; 3,518,604; and 3,670,285 (the " '285" or "English" patent). In *CTS Corp. v. Piher Int'l Corp.*, 184 USPQ 399 (1975), the U.S. District Court for the Northern District of Illinois (the "Illinois court") found all four CTS patents, except for the '285 patent, valid and infringed. The Seventh Circuit Court of Appeals, in *CTS Corp. v. Piher Int'l Corp.*, 527 F.2d 95, 188 USPQ 419 (1975), *cert. denied*, 424 U.S. 978 (1976), affirmed the

(Footnote continued on following page)

late 1981 and early 1982, the infringement action was in its accounting phase in the U.S. District Court for the Northern District of Illinois (the "Illinois court"). Concurrently, a related interference civil action[4] was proceeding through the U.S. District Court for the Northern

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[3] *continued*
district court's decision except for the "on sale" defense as to the '285 patent. During remand, the "on sale" issue was retried and, in an unpublished decision dated March 17, 1978, the "on sale" issue was found in favor of Piher. This judgment, however, was reversed by the Seventh Circuit. *CTS Corp. v. Piher Int'l Corp.*, 593 F.2d 777, 201 USPQ 649, *cert. denied*, 444 U.S. 884 (1979).

The second infringement action, Civil Action No. 76 C 1152, related to Piher's alleged infringement of the '285 patent claims. Pursuant to a stipulation, this case was stayed pending the outcome of both the earlier infringement case and the interference, *infra*, note 5. The stipulation further provided that if CTS prevailed in both the first infringement action and the interference, a judgment of validity and infringement on the '285 patent would be entered. After the writ of certiorari for the first infringement case was denied in 1979, the Illinois court ordered that the accounting on all four CTS patents should proceed. Pursuant to the stipulation, a judgment order in favor of CTS was entered in the second infringement action on November 10, 1981.

[4] The statute relating to interference civil action, 35 U.S.C. § 146 (1976), states in pertinent part:

> § 146. *Civil action in case of interference*
>
> Any party to an interference dissatisfied with the decision of the board of patent interferences on the question of priority, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in section 141 of this title, unless he has appealed to the United States Court of Customs and Patent Appeals, and such appeal is pending or has been decided. In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.

District of Indiana (the "Indiana court") and the Seventh Circuit Court of Appeals.[5] The Indiana court's decision granting priority of invention to CTS was affirmed by the Seventh Circuit on November 4, 1981. *Piher S.A. v. CTS Corp.*, 644 F.2d 122, 212 USPQ 914.

On November 5, 1981, CTS contacted Piher concerning possible settlement. The Seventh Circuit issued its mandate for the interference case on November 6. On November 18, Piher filed a petition for rehearing at the Seventh Circuit regarding the interference case, and the Seventh Circuit withdrew its mandate shortly thereafter. On November 21, the PTO terminated its interference proceeding after receipt of the Seventh Circuit's affirmance of November 4 and the mandate of November 6. The PTO was not aware and the parties did not inform it that the November 6 mandate had subsequently been withdrawn.

In the afternoon of November 23, management representatives of CTS and Piher met to discuss and settle the accounting phase of the infringement case. It was a meeting between businessmen to negotiate a settlement. Legal matters were not discussed at this meeting. At the close of the meeting, CTS proposed a number of basic terms which could be used to form the basis of an agreement and gave Piher 24 hours to accept or reject them.

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[5] In 1973 Piher filed an application for reissue of its Heredero patent, U.S. Patent No. 3,662,314, in which it copies claims from CTS' '285 patent. the PTO, in *English v. Heredero*, 200 USPQ 597 (Bd. Pat. Intfr. 1978), awarded priority of all the counts to English, the CTS inventor. That decision, except for the suppression and concealment issue, was based on collateral estoppel because of findings relating to reduction to practice by CTS that had been made in the first infringement action. *Supra*, note 3. The Indiana court, however, in an unpublished opinion dated September 27, 1979, reversed the PTO. It rejected the collateral estoppel holding and remanded to the PTO for another determination. The PTO, in an unpublished decision dated April 18, 1980, again awarded priority to English. And, the Indiana court affirmed this decision. *Piher S.A. v. CTS Corp.*, 210 USPQ 806 (1981).

The next day, November 24, Piher accepted the basic terms presented by CTS. On November 25, CTS forwarded to Piher a draft of the proposed agreement. After exchanging several drafts, a copy of the agreement, entitled "Agreement in Principle" ("Document A"), was signed by CTS on December 10 and by Piher on December 16.

On December 2, the petition for rehearing of the interference was denied by the Seventh Circuit. The Seventh Circuit issued its mandate on December 10. Piher did not move to stay the issuance of the mandate for possible petition to the Supreme Court.

"Settlement Agreement" ("Document B") and "License Agreement" ("Document C"), the two remaining settlement documents, were executed by the parties on January 14, 1982. Both Documents A and B made references to the interference. For example, Document A, in relevant part, states:

> I. *FULL SETTLEMENT*
>
> CTS and PIHER shall join in an understanding for a release of PIHER and CTS of any claim or claims arising under the subject matter of paragraph III which either party has or could have asserted against the other, before a United States District Court, including but not limited to The United States Patent and Trademark Office, The United States District Court for the Northern District of Indiana, and The United States District Court for the Northern District of Illinois, Eastern Division, or any State Court of the United States or any Federal or Provincial Court of Canada.

Similarly, Document B, in relevant part, states:

> WHEREAS, PIHER and CTS have been adverse parties in each of the following proceedings:
>
> A. *CTS Corporation v. Piher International Corporation and Piher Sociedad Anonima*, Civil Action No. 72 C 1891, pending in the United States District Court for the Northern District of Illinois, Eastern Division, and Appeal Nos. 75-1100,

75-1104, 78-1535, 81-1635 and 81-1829 in the United States Court of Appeals for the Seventh Circuit taken therefrom;

B. *CTS Corporation v. Piher International Corporation and Piher Sociedad Anonima*, Civil Action No. 76 C 1152, pending in the United States District Court for the Northern District of Illinois, Eastern Division;

C. *Piher Sociedad Anonima (assignee of Juan Luis Heredero) v. CTS Corporation (assignee of Jack A. English)*, Civil Action Nos. S78-0174 and S80-1026, pending in the United States District Court for the Northern District of Indiana, South Bend Division, and Appeal Nos. 79-2350 and 81-1672 in the United States Court of Appeals for the Seventh Circuit; and

D. *English v. Heredero*, Interference proceeding No. 98-455 in the United States Patent and Trademark Office.

* * * * *

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

* * * * *

2. *Termination of Disputes.*

The parties hereto agree to terminate each of the above-identified civil actions and administrative proceedings between the parties by executing and causing to be filed the following documents:

In the United States District Court for the Northern District of Illinois, Eastern Division, in lieu of accounting procedures, there shall be a consent judgment entered by motion * * * and stipulation * * *, such judgment providing for termination and final settlement of all such civil actions and the consent

> judgment and final order * * * of the Court shall incorporate this Settlement Agreement, the Agreement in Principle, * * * and the patent License Agreement * * *, by which Piher shall hereafter be entitled to use, sell, distribute, and import into the United States and Canada products within the terms of the subject matter of Paragraph 6 hereafter.

On January 25, 1982, a stipulated consent judgment in lieu of accounting was entered by the Illinois court. Documents A, B and C were filed in that court under seal. On February 5, 1982, a copy of the January 25 consent judgment was filed in the PTO, but the three documents were not filed. In January, 1983, Piher filed the Rule 60(b)(6) motion in the Illinois court to modify the January 25, 1982 consent judgment because of CTS' failure to file Documents A, B and C with the PTO.

District Court Proceeding

The district court, in its oral findings of fact and conclusions of law, held that Piher failed to meet its burden of proving by the greater weight of the evidence that the parties had entered into an understanding or agreement which was required to be filed and was not filed with the PTO prior to the termination of the interference. Thus, the district court denied Piher's Rule 60(b)(6) motion to modify the final judgment order of January 25, 1982.

In its pre-trial memorandum opinion dated April 15, 1983, the district court interpreted section 135(c) to require, *inter alia*, that there must be a causal relationship between agreements or understandings and the termination of the interference. *CTS Corp. v. Piher International Corp.*, 219 USPQ 1177.

In determining the facts of this case, the district court, after hearing conflicting testimony, found that the evidence did not demonstrate a causal relationship between the settlement and the termination of the interference. It found that the possibility of filing a petition for certiorari to the Supreme Court was not discussed by the

participants at the November 23, 1981 conference. Next, the district court found that there was no bilateral understanding between the parties that the termination of the interference was part of the consideration for the settlement. Since the negotiations between the parties were not causally related to the termination of the interference, the district court found that the agreements need not be filed.

In addition, the district court denied CTS' motion for attorneys' fees since Piher's motion was not frivolous.

OPINION

The standard of review of a district court's denial of a Rule 60(b) motion is abuse of discretion. *See Darlington v. Studebaker-Packard Corp.*, 261 F.2d 903, 905 (7th Cir.), *cert. denied*, 359 U.S. 992 (1959); *see generally Bell Telephone Laboratories, Inc. v. Hughes Aircraft Co.*, 73 F.R.D. 16 (D. Del. 1976). Unless exceptional or extraordinary circumstances are shown, a Rule 60(b)(6) motion is generally not granted. *Ackermann v. United States*, 340 U.S. 193 (1950). The underlying factfindings by the district court in support of the denial must be upheld unless they are clearly erroneous. Fed. R. Civ. P. 52(a); *United States v. United States Gypsum Co.*, 333 U.S. 364 (1948).

Our jurisdiction is based on 28 U.S.C. 1295(a) (1982). *See Cinerama, Inc. v. Sweet Music, S.A.*, 482 F.2d 66, 71-72 (2d Cir. 1973) (a denial of a Rule 60(b)(6) motion is final and appealable).

I

35 U.S.C. § 135(c) was enacted to promote competition in the patent law area. As a means to prevent anticompetitive settlements between parties involved in patent interferences, any settlement agreements between parties must be filed with the PTO. Such agreements can therefore be reviewed by the Department of Justice's Antitrust Division by means of a "Civil Investigative Demand." *See Generally United States v. FMC Corp.*, 717

F.2d 775, 777-78, 219 USPQ 761, 763-64 (3rd Cir. 1983). The underlying motivation for the statute was clearly stated in the House Report. It stated:

> Recent experience has indicated that parties have sometimes used these interference proceedings in derogation of the public interest, in that interference settlement agreements have been entered into for the purpose of restricting competition. By requiring the filing of settlement agreements, the bill would make it more difficult for patent applicants and owners to use an interference settlement agreement as a means of secretly violating the antitrust law.

H.R. Rep. No. 1983, 87th Cong., 2d Sess. 1 (1962).

Section 135(c) requires that any agreement or understanding made in connection with or in contemplation of the termination of an interference must be filed with the PTO. *See Moog, Inc. v. Pegasus Laboratories, Inc.*, 376 F. Supp. 439, 444, 180 USPQ 4, 8 (E.D. Mich. 1973), *aff'd*, 521 F.2d 501, 187 USPQ 279 (6th Cir. 1975), *cert. denied*, 424 U.S. 968 (1976) ("[A]ll agreements, whether initial or supplemental, with actual or potential anti-trust implications, must be filed in accordance with Section 135(c) or suffer the penalty of unenforceability."). Failure to file with the PTO renders such agreement or understanding and any patent involved in, or subsequently issued on an application involved in, the interference unenforceable.

A

The appellants argue that the district court misinterpreted section 135(c) and that the settlement agreements are clearly within the scope of the statute.[6] Piher con-

[6] We note with interest that appellee contends that an "interference," as stated in section 135, refers only to the proceedings in the PTO and not to the proceedings in the district courts under section 146. Thus, the "interference" in the instant case terminated in 1980 when the PTO granted priority to CTS. We, however, do not and need not reach this issue. Moreover, the record for this issue was not fully developed below.

tends that the agreements were made in connection with or in contemplation of the termination and, as such, were the direct cause of the termination. Whereas the district court found there was no causal relationship between the agreements and the termination, the appellants contend otherwise. We disagree with the appellants.

We agree with the district court that, pursuant to section 135(c), there must be a causal relationship between the agreements and the termination of the interference. *See United States v. FMC Corp.*, 215 USPQ 43, 51-53 (E.D. Pa. 1982), *rev'd on other grounds*, 717 F.2d 775, 219 USPQ 761 (3rd Cir. 1983); *cf. Moog*, 521 F.2d at 506 ("The District Court was right in finding a causal relationship between the withholding [of an agreement] and the termination of the interference.").

First, the appellants disagree with the district court's finding that the possibility of filing a petition for writ of certiorari in the interference case was not discussed during the November 23, 1981, settlement meeting between the parties. Based on these alleged discussions of the certiorari petition, Piher argues that at least Document A was made in contemplation of the termination. We, however, disagree.

Evidence presented at trial points to the district court's conclusion that the question of filing a certiorari petition was not discussed at the afternoon meeting of November 23. The district court heard conflicting testimony on this point and found that legal questions such as the certiorari petition were probably not discussed since the afternoon conference was a meeting between businessmen. In light of the circumstances and the evidence presented, the district court found that Piher failed to meet its burden of proving that the certiorari petition was discussed at the afternoon meeting. The district court stated:

> It is not implausible that the subject [of certiorari] would have been mentioned. Piher had indeed filed certiorari petitions on two prior occasions, and it's not inconceivable that the lay representatives of the

company might have had such a possibility in mind on November 23.

What is missing is any testimony whatsoever, or evidence of any kind whatsoever, that anybody on the Piher side of the case thought that Piher had any chance whatsoever to succeed on a petition for certiorari.

It is not enough that the laymen simply testified that they discussed the question of certiorari. There has to be more, in my view. There has to be some indication that they actually thought this was a remedy which held out some hope of relief.

There is no such testimony.

219 USPQ at 1181.

We hold that the district court committed no clear error in finding that the possibility of filing a writ petition was not discussed at the November 23 meeting, and thus, no causal relationship was shown.

B

The appellants next dispute the district court's finding that forbearing from a petition for certiorari was not mutually regarded by the parties as part of the consideration for the settlement. In this regard, the appellants argue that references to the interference in the documents, especially Documents A and B, indicate a connection between the settlement of the infringement lawsuit and the termination of the interference. We again disagree.

The district court found that there was no evidence indicating such a connection since there was no bilateral understanding between the parties that the termination of the interference was part of the consideration for the settlement. In its analysis, the district court first examined the direct evidence, *i.e.*, the documents in evidence, and found that they did not demonstrate a causal relationship between the settlement of the infringe-

ment and the termination of the interference. The district court stated:

> It is commonplace for parties entering into written settlement agreements to include all possible grievances that might or could exist between them, without reference to whether they are still technically extant. It is very common in the boilerplate releases that are commonly used by lawyers to recite that the parties are mutually giving up all causes of action they might have, known and unknown, and which exist now or at any time since the beginning of the world.
>
> Now, those very words, "since the beginning of the world," are very common recitals in mutual releases.
>
> Obviously, parties are not concerned at the time they enter such agreements with anything that has happened since the beginning of the world. That I suppose, and to make it absolutely clear that the parties mean to have no further controversy after the execution of the agreement.
>
> But that doesn't mean that it is the agreement that is terminating all of those controversies that could have existed since the beginning of the world.
>
> And, by the same token, the fact that this settlement agreement in this case refers to the interference doesn't mean that it is that document that is terminating the interference as a matter of fact.

219 USPQ at 1182.

In addition, the district court found that the circumstantial evidence did not support Piher. First, the possibility of certiorari was unlikely since the Supreme Court grants only around 180 out of 4,000-5,000 certiorari petitions a year and rarely accepts a patent case. Next, if Piher's attorney had believed there was any respectable chance of a successful certiorari petition, he would have stated so to his client. The absence of any letter or testimony to this effect by anyone on the Piher side is strong cir-

cumstantial evidence that Piher believed that there was no practical possibility of a successful appeal to the Supreme Court. *See Evans, Inc. v. Tiffany & Co.*, 416 F. Supp. 224, 232 (N.D. Ill. 1976). Similarly, there was no evidence that CTS was worried about a certiorari petition and no documentary or testimonial evidence to indicate such concern. CTS and its lawyers acted as though the interference was over.

We hold that the district court committed no clear error in finding that references to the interference in Documents A and B did not indicate a causal relationship between the settlement of the infringement and the termination of the interference.

C

In accordance with its interpretation that only agreements which have a causal relationship with the termination need be filed with the PTO, the district court stated that Documents A, B and C need not be filed with the PTO since they were not made in connection with or in contemplation of the termination of the interference.[7] The district court's findings are not clearly erroneous.

II

In addition, the appellee argues that the district court abused its discretion in its denial of appellee's motion for attorneys' fees pursuant to 35 U.S.C. § 285. The district court concluded that although Piher's motion was meritless, it nonetheless was neither frivolous nor brought only for harassment or delay. We therefore, fail to see where

[7] Appellants also argue that the district court may have mistakenly interpreted the statute to require that only *anti-competitive* agreements need be filed, which is contrary to *FMC Corp.*, 215 USPQ at 50 note 3. Since resolving this issue will not alter the outcome of this case, we need not and do not reach it.

the district court abused its discretion. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 219 USPQ 670 (Fed. Cir. 1983).

Conclusion

Since the district court's findings of fact are not clearly erroneous and it did not abuse its discretion in denying the various motions, we affirm the district court's decision.

AFFIRMED

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CTS CORPORATION, *Plaintiff,*	)	
v.	)	No. 72 C 1891
PIHER INTERNATIONAL CORPORATION, et al., *Defendants.*	)	

MEMORANDUM DECISION

The defendant has filed a motion to modify the final judgment order entered in this case on January 25, 1982, alleging that the '285 patent is now invalid by reason of plaintiff's failure to file certain documents with the Patent Office prior to the termination of the interference proceeding or within six months thereafter.

As a preliminary matter, I agree with defendant that the motion presents a justiciable controversy. Defendant is seeking to avoid certain of its present obligations under the judgment order, such as the payment of $200,000.00 to plaintiff, and plaintiff insists upon enforcement of the order as entered. The court has retained jurisdiction to enforce the judgment, and it seems clear that a real, present controversy exists.

Turning now to the merits, the initial question seems to be one of statutory interpretation. 35 U.S.C. § 135(c) provides that

> Any agreement or understanding between parties to an interference . . . made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent and Trademark Office before the termination of the interference as between the said parties to the agreement or understanding.

The statute goes on to provide that failure to file the agreement shall render it and any subsequently issued patents unenforceable. The Commissioner of Patents may, however, "on a showing of good cause for failure to file within the time prescribed," permit the filing up to six months after the termination of the interference.

Plaintiff argues that this statute contemplates only agreements which have a causal relationship to the termination of the interference, and defendant does not contend otherwise. The phrase "made in connection with or in contemplation of" seems clearly to import a causal relationship between the agreement and the termination of the interference. I adopt this interpretation, which is consistent with the purpose and the legislative history of the statute.

The contested question of interpretation relates to the timing required by the statute. Plaintiff argues that because the statute requires that the agreements be filed ". . . before the termination of the interference, . . ." an agreement which is reduced to writing only *after* the termination of the interference need not be filed. Defendant, on the other hand, takes the position that all agreements which, in the words of the statute, are "made in connection with or in contemplation of the termination of the interference" must be filed, whether they were entered into before or after the termination. Defendant contends that pre-termination agreements should be filed before the termination and that agreements arrived at "shortly after" the termination should be filed "upon a proper showing, within six months thereafter." Def. Reply Brief p. 9. Pointing out that the purpose of § 135(c) is to pre-

vent anticompetitive conduct, defendant argues that "to adopt CTS' position would create and encourage an obvious way for parties bent upon entering into anticompetitive agreements to avoid the statute." *Id.* at 9-10.

Defendant's interpretation ignores the language "before the termination of the interference . . .," which clearly designates the deadline for the required filing.[1] Defendant is conscious of the fact that its argument accommodates only those post-termination agreements which might be entered into "shortly" after the termination—that is, within six months after termination. This interpretation of the statute would not materially deter parties "bent upon entering into anticompetitive agreements to avoid the statute." Such parties could simply let the six months go by and *then* commit their agreement to writing. Moreover, defendant's scenario of parties to an interference proceeding being so trustful of each other that they would be willing to wait until after the interference is terminated before setting down in writing the terms of their agreement does not seem realistic to me.[2] Finally, and most importantly, I am at a loss to understand how the plain language of the statute can be construed to permit, let alone to *require*, the filing of an agreement entered into after termination of the interference.

> The Commissioner may, however, on a showing of good cause for failure to file within time prescribed, permit the filing of the agreement or understanding during the six month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

This provision refers to the filing of agreements entered into during "the time prescribed" and allows a *late* filing of such agreements only upon a showing of good cause. All this portion of the statute *requires* is an exercise of discretion by the Commissioner; it neither requires nor permits the filing of an agreement entered into after termination of the interference.[3]

I conclude that § 135(c) requires the filing of agreements which have been reduced to writing prior to the termination of the interference, and no others.[4]

I turn now to a discussion of the agreements in this case.

The parties recognize that the earliest written memorandum of an agreement or understanding in this case was prepared on December 11, 1981, and was not fully executed by all parties until December 16, 1981. This was the "Agreement in Principle" which incorporated the preliminary understanding reached by the parties at a conference held on November 23, 1981. The other two written agreements, a mutual release and a license agreement, were executed on January 14, 1982, eleven days prior to entry of the agreed final judgment.

The earliest any agreement would have had to be filed with the Patent Office in this case, then, was December 16, 1981, the date the "Agreement in Principle" was fully executed. If the interference had not already been terminated, the agreement should have been filed. The crucial question in the case, then, is when the interference was terminated. This requires a brief chronology.

On November 4, 1981, the Seventh Circuit Court of Appeals affirmed the district court judgment in favor of plaintiff on the merits of the interference proceeding. *Piher v. CTS Corp.*, 664 F.2d 122 (7th Cir. 1981). (Judge Allen Sharp of the Northern District of Indiana had affirmed the decision of the Board of Patent Interferences awarding the patent to plaintiff). On November 6, 1981, the Court of Appeals issued its mandate, but because it was issued before the time for filing a petition for rehearing had expired, that mandate was recalled. Defendant did file a timely petition for rehearing, which was denied on December 2. On December 10, the Court of Appeals issued a new mandate. All three of the pertinent actions of the Court of Appeals—its decision of November 4, its order of December 2 denying rehearing, and its issuance of a mandate on December 10—occurred before the first

written agreement between the parties concerning the interference was prepared and signed by plaintiff on December 11 and signed by defendant on December 16. If any of these actions of the Court of Appeals "terminated" the interference for purposes of § 135(c), there was no requirement that the agreement be filed with the Patent Office.

Defendant argues that because its time to file a petition for a writ of certiorari did not expire until March 2, 1982, the interference could not be regarded as terminated by court action until that date had passed without a petition being filed. If this is true, then the parties were required to file not only the December 11 agreement but the two agreements of January 14, 1982, as well.

It is here that the requirement of a causal relationship between the agreement and the termination of the interference becomes important. The "Agreement in Principle" prepared on December 11, 1981, and the settlement agreement dated January 14, 1982, both refer to the interference as one of the proceedings the parties were agreeing to terminate. Defendant argues that the interference was still considered viable by the parties at the time of these agreements and that defendant's forgoing a petition for certiorari was part of the consideration for the settlement. The Heredero Affidavit is submitted to support that argument, but it does not really do so. Paragraph 4 of the affidavit simply states that one of the remedies defendant still had available was "the possibility of filing a petition for writ of certiorari." The affidavit does not say that this possibility was discussed between the parties. Plaintiff, in its brief, denies that there was any such discussion or that the interference played any role in the settlement.

If, as a matter of law, the interference is to be considered pending, and therefore not "terminated" within the meaning of § 135(c), until the time for filing a petition for certiorari has expired, then it would follow that a settlement agreement between the parties predicated, even in part, upon an agreement not to petition for cer-

tiorari would be an agreement "made in connection with or in contemplation of the termination of the interference . . ." within the meaning of § 135(c). On the other hand, if the interference had already terminated as a matter of law by reason of the Court of Appeals decision of November 4, or the order of December 10 denying the petition for rehearing,[5] then the agreements of December 16 and January 14 need not have been filed, even if the parties did have the possibility of certiorari in mind when the agreements were executed.

It is not clear to me that defendant is actually contending and is prepared to prove that consideration of a possible certiorari petition did enter into the settlement discussions between the parties. If no such contention is being made, then it is not necessary to resolve the legal question of whether the possibility of a certiorari petition keeps the interference alive for purposes of § 135(c). If the contention is being made, then we should have an evidentiary hearing to determine what the fact is. This is not something that can be resolved by affidavits.[6] If defendant prevails on the factual question, I will then decide whether the interference had been terminated prior to execution of any of the written agreements.

The case is set for a conference on April 20, 1983, at 3:00 p.m. to set an early date for an evidentiary hearing if one is required.

Dated: 15 APR 1983

ENTER: /s/ John F. Grady
United States District Judge

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[1] That the phrase was so understood by the sponsors of the legislation is indicated by one of the exhibits to defendant's reply brief, a letter dated April 30, 1962, to the Chairman of the House Judiciary Committee from Nicholas D.B. Katzenbach, Acting Deputy Attorney General, describing the legislation (and the amendment the Department of Justice was proposing, which was adopted) as providing that the agreement must be filed "*prior to*

the termination of the interference." (Emphasis added). The pending bill and the subsequently adopted legislation did not use the words "prior to." They used the word "before." The Katzenbach letter indicates that the word "before" was intended to have its usual meaning.

[2] The instant case is perhaps an extreme example of mutual distrust, involving, as it does, years of accusations and counter-accusations of obduracy, misrepresentation and concealment, but my exposure to patent cases over time has erased my early impression that the patent bar works together more harmoniously than other branches of the profession.

[3] The sense of the provision was explained by Mr. Katzenbach, n. 1 *supra*, in his letter to the Chairman of the House Judiciary Committee:

> In order to protect innocent parties *who inadvertently fail to file a copy of their settlement agreement*, the Commissioner of Patents should be given the authority to entertain, at any time during the 6-month period subsequent to the termination of the interference, a petition by either party for leave to file a copy of the agreement, which petition may be granted on a showing of good cause *for the failure to file within the time prescribed.*

(Emphasis added).

[4] This interpretation does leave open the possibility that parties might intentionally wait until after termination of the interference to reduce their prior agreement to writing. I believe the risk of this is slight, for the reason indicated at note 2, *supra*. The statute probably covers the bases as well as can be done. But in any event, any loophole in the statute is a problem for Congress. My function is to apply the statute, not to rewrite it.

[5] I do not consider Paper No. 206 of the Patent Office, issued November 21, 1981, to be the significant action on the question of termination. Although this document did state that ". . . this interference is considered to be terminated as of the date of the court action . . .," the court action referred to was the Court of Appeals decision of November 4 and the mandate issued on November 6. Since that mandate has been withdrawn, the premise of Paper No. 206 was mistaken.

[6] Plaintiff's motion to strike the Heredero Affidavit is denied as moot. I have considered the affidavit but do not find it probative.

APPENDIX D

[1]* IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CTS CORPORATION, a corporation,	)	
Plaintiff,	)	
v.	)	No. 72 C 1891 and 76 C 1152
PIHER INTERNATIONAL CORPORATION, a corporation, et al.,	)	
Defendants.	)	

EXCERPT OF PROCEEDINGS

had at the hearing of the above-entitled cause before The Honorable JOHN F. GRADY, one of the Judges of said Court, in his courtroom in the United States Courthouse, Chicago, Illinois, on Monday, May 23, 1983, at the hour of 10:00 a.m.

PRESENT:

MASON, KOLEHMAINEN, RATHBURN & WYSS
(20 North Wacker Drive, Suite 4200
Chicago, Illinois 60606) by
MR. WALTHER E. WYSS and
MR. JOSEPH KRIEGER

on behalf of the plaintiff;

* Numbers in brackets refer to the official court reporter's original pagination of the Excerpt of Proceedings.

TREXLER, BUSHNELL & WOLTERS, LTD.
(141 West Jackson Boulevard, Suite 3440
Chicago, Illinois 60604) by
MR. RAIFORD A. BLACKSTONE, JR. and
MR. RICHARD R. TREXLER

on behalf of the defendant.

* * * * *

[2] THE COURT: I will give you my findings of fact and conclusions of law.

The parties appear to agree that the defendant has the burden of proof in its motion to modify the final judgment order of January 25, 1982.

The defendant has the burden of proving by the greater weight of the evidence that the parties entered into an understanding or agreement which was required to be filed prior to the termination of the interference, and that such agreement or understanding was not filed prior to the termination of the interference.

The first question I address is whether the possibility of a petition for certiorari or a petition for rehearing in the Seventh Circuit was discussed by the participants in the conference which took place on November 23, 1981.

The testimony is in conflict. While Mr. Salvador stated in his rebuttal testimony that the matter of certiorari was not discussed, and that the term certiorari was not used, I do not interpret that testimony to mean that he was saying the subject of pursuing the case to the Supreme Court was not mentioned.

It is the sense of his testimony, as I understand it, that the Supreme Court was mentioned, even though the precise term certiorari was not mentioned.

[3] Mr. Molins, on the other hand, testified, according to my notes, that a petition for certiorari was mentioned at the meeting. He did not modify his testimony or in any way indicate that it was merely the subject of going to the Supreme Court that was mentioned, but instead

stated in his testimony, which has not been retracted, that a petition for certiorari was discussed.

So there is a conflict between the rebuttal testimony of Mr. Salvador and the testimony of Mr. Molins.

And, of course, there is testimony between the Piher witnesses and the CTS witnesses on the question of whether certiorari or a petition for rehearing was mentioned.

It is not implausible that the subject would have been mentioned. Piher had indeed filed certiorari petitions on two prior occasions, and it's not inconceivable that the lay representatives of the company might have had such a possibility in mind on November 23.

What is missing is any testimony whatsoever, or evidence of any kind whatsoever, that anybody on the Piher side of the case thought that Piher had any chance whatsoever to succeed on a petition for certiorari.

It is not enough that the laymen simply testified that they discussed the question of [4] certiorari. There has to be more, in my view. There has to be some indication that they actually thought this was a remedy which held out some hope of relief.

There is no such testimony.

Another factor which is of significance is that this meeting was expressly agreed by both sides to be one at which laymen would negotiate for the parties. As one of Piher's witnesses stated, this was to be a meeting between businessmen.

Clearly what was intended as the subject of discussion was the economics of a possible settlement, not legal questions. Had it been intended to discuss legal questions, lawyers would have been present in their capacity as lawyers. That is precisely what the parties did not intend would occur.

As far as the appearance and the demeanor of the witnesses on both sides of the case, neither side has an ad-

vantage. I'm not going to pretend to be a mind-reader and to know on the basis of the demeanor of the witnesses which of them is lying.

Clearly somebody is lying, and quite clearly one of two lawyers admitted to the Bar is lying.

That is a truly tragic aspect of this case. And I frankly hope that it will cause the culprit considerable unrest during the remainder of his days in [5] the practice of the profession he has sullied by his conduct in this case.

I don't know whether it is Mr. Molins or Mr. Taylor who is lying, but one of them is. And the guilty one should feel ashamed and should carry that shame to his grave.

Considering all of the circumstances and all of the testimony and documentary evidence on the point, I am not satisfied by the greater weight of the evidence that the subject of certiorari or going to the Supreme Court or filing a petition for rehearing was discussed at the meeting between the Piher and the CTS representatives on the afternoon of November 23.

Piher has the burden of proof and has failed to carry that burden. The most I can say is that the evidence is a standoff.

That, however, does not end the inquiry. In fact, the question of whether those matters were discussed turns out to be one that is not of critical importance, in my view.

The question which is of critical importance is whether the possibility of rehearing and certiorari was mutually regarded by the parties as part of the consideration for the settlement.

It doesn't make any difference that the [6] question of certiorari or rehearing may have been in the minds of plaintiff's representatives, if that possibility played no part in bringing this case to a conclusion and in terminating the interference.

What we need to look for is evidence that Piher thought it was giving up something by way of dropping the interference in consideration for this settlement and, in addition, evidence that CTS believed it was receiving something in the form of terminating the interference as a result of this settlement.

In short, what there has to be is a bilateral understanding that the termination of the interference is part of the consideration for the settlement.

There are two kinds of evidence to be considered on that question. There is direct evidence and there is circumstantial evidence. I'll deal first with the direct evidence.

The documents executed by the parties refer to the interference proceeding and mention that the interference proceeding is one of the items being settled.

That recitation is, of course, evidence in favor of the proposition that those words mean what they say, namely that the interference is being settled.

[7] The other direct evidence is the testimony of the Piher witnesses that a possible petition for certiorari was discussed in the meeting of November 23.

I've already indicated that that testimony has not persuaded me that the subject was in fact discussed.

But, going further, even if I were persuaded that the precise conversation testified to by the Piher witnesses had in fact taken place, that evidence would tend to show that there was only one party at most who might have thought that there was any possibility of certiorari being granted.

The conversation was a very short one, if it occurred, and the only thing that the CTS representative said was something to the effect: "Have you asked your lawyer what your chances are?"

Now, if Mr. Taylor made that statement, he was in effect saying: You have no chances or, your chances are so slim as to be unworthy of consideration in this conference.

Paradoxically, I find this conversation that CTS so strongly contends occurred--strike that--which Piher so strongly contends occurred actually tends more to support CTS' case, in that it demonstrates a contemporaneous contempt, if you will, for any certiorari petition that Piher might file.

[8] Certainly there is nothing in the testimony of the conversation that allegedly took place that indicates a mutual consciousness of the importance of the possibility of a certiorari petition. And it is a mutual consciousness and a mutual motivation that, in my view, is required by the statute.

Now, what is the effect of the recitals in the settlement documents standing alone: I find that they do not demonstrate a causal relationship between the settlement and the termination of the interference.

It is commonplace for parties entering into written settlement agreements to include all possible grievances that might or could exist between them, without reference to whether they are still technically extant. It is very common in the boilerplate releases that are commonly used by lawyers to recite that the parties are mutually giving up all causes of action they might have, known and unknown, and which exist now or at any time since the beginning of the world.

Now, those very words, "since the beginning of the world," are very common recitals in mutual releases.

Obviously, parties are not concerned at the time they enter such agreements with anything that has happened since the beginning of the world. That language is put in there as an overabundance of caution, [9] I suppose, and to make it absolutely clear that the parties mean to have no further controversy after the execution of the agreement.

But that doesn't mean that it is the agreement that is terminating all of those controversies that could have existed since the beginning of the world.

And, by the same token, the fact that this settlement agreement in this case refers to the interference doesn't mean that it is that document that is terminating the interference as a matter of fact.

Now, what is the circumstantial evidence on the question of whether there was a mutual understanding that, by their settlement, the parties were terminating the interference:

The first thing I look at is the nature of the Seventh Circuit decision. It was a thorough decision; it was unanimous; it dealt with questions that were not novel or unduly difficult; it was concerned mostly with factual questions as to which there was a strong presumption in favor of the Patent Office determination.

In short, it was a decision which held out virtually no possibility of rehearing; and, to the extent that anything in the area of what the Supreme Court might do can be considered a practical certainty, there was a practical certainty that certiorari would not [10] be granted.

The petition for rehearing was denied without opinion, just as a matter of course. Not without reflection, I'm sure, but nonetheless as a matter of course, because the Court had exhausted, considered every point raised by Piher, and had dealt with every point fully.

Now, as to the possibility of certiorari, the United States Supreme Court this year granted 180 certiorari petitions. That is the largest number they have ever granted.

Many members of the Court have publicly gone on record to the effect that the Court is granting too many petitions, that the quality of the Court's work is suffering, and that the number of petitions granted must be cut back if the Court is going to be able to continue to function on a level which comports with its own expectations of the kind of work it should be doing.

I recently attended the Seventh Circuit judicial conference and heard Mr. Justice Stevens state very strongly

that he believes the Court improvidently grants too many petitions. Other Justices have made the same remarks. And, as you know, there is a very strong recommendation that has been made by the Chief Justice and other Justices that another Court be created to deal with the question of which certiorari petitions should be [11] granted.

Now, I mention all this because there are something like 5,000 certiorari petitions that are filed. And I could be wrong on that. There are statistics published by the Administrative Office which show what the actual facts are. But it seems to me that 4,000 or 4,500 or 5,000 is the correct figure. And out of those only 180 are granted, and the Court thinks that's too many, at least some members of the Court think that is too many.

Patent cases are rarely accepted for review by the Supreme Court. We all know that. It's very, very rare.

And, again, to the extent that one can speak with any degree of certainty in questions of what a Court will do, it is a practical certainty that the United States Supreme Court would not have accepted this case for review. There is just nothing about this case at this juncture that is the stuff of which Supreme Court decisions are made.

Now, as a second item of circumstantial evidence I point to something that is missing, and that is the least suggestion, the least fragment of any indication that Piher's counsel thought differently about any of the matters I have just been discussing.

I practiced law for many years; I know [12] that it is customary in the legal profession to advise your client fully about his prospects of successful further review when you have lost a case on any level of our Court system.

Indeed, lawyers who are jealous of their professional reputations usually are very careful to commit opinions of that kind to writing and to make sure that their clients fully understand what recommendation the attorney is making.

I think it is highly likely that if the attorneys for Piher had believed there was any respectable chance of a successful petition for certiorari in this case, there would be in their file a letter to their client so stating.

The absence of any such letter, the absence of any testimony to the effect that any such opinion was ever held by anybody on the Piher side of the case is, in my view, strong circumstantial evidence that Piher knew there was no practical possibility of a successful appeal to the Supreme Court.

The only lawyer who testified in this proceeding for Piher is a lawyer who admits that he knows nothing about the merits of this case and knows nothing about the patent law. And he is the witness who is supposed to persuade me that Piher was seriously [13] considering a certiorari petition. That effort, as I have indicated previously, was unsuccessful.

It was interesting to me to see the transcript this morning of the November 10, 1981 hearing on the injunction order. Mr. Blackstone made the comment, "Technically the injunction order would be premature."

Well, now, when a lawyer talks about something being technically premature, we know what he means: He means he isn't seriously advancing the proposition.

And in the context of that particular hearing, I have no doubt whatever that that is precisely the idea that Mr. Blackstone was intending to convey to me, and that that is precisely how he felt as he stood there on November 10th.

Some documentation of a contemporaneous belief in the viability of a certiorari petition would have been far more persuasive to me than simple reference to the fact that Piher had petitioned for certiorari on two previous occasions.

Now, for its part, there is absolutely no evidence that CTS was worried about a certiorari petition. Not a scrap of paper in their file or a syllable of testimony by anybody

in this proceeding shows any consciousness on the part of the attorneys for CTS that certiorari was something to worry about back in late 1981 and early [14] 1982.

CTS and its lawyers acted as though the interference was over with. You look at everything they did, in Court and out, and their actions are completely consistent with the proposition that they thought the interference was done with.

What was it that the parties were discussing at the November 23rd meeting, what was it that was being settled with these documents that were drawn up:

I find that it was the accounting phase of this case, which was regarded by CTS, and by Piher as well, as the subject of their proposed settlement.

The reference to fighting to the end could well have meant the accounting proceeding, if any reference to fighting to the end was made.

I recall very well the numerous appearances that the parties made before me on this question of accounting, which has dragged out for years.

It is clear to me that there could have been a lot more foot-dragging and a lot more discovery and a lot more controversy over that question of accounting. It may have been necessary to have an evidentiary hearing on the matter. And whatever order I might have entered ultimately on the question of accounting could have been appealed. And, of course, a petition for certiorari could [15] have been filed as the end item in that exercise.

In short, there is absolutely no difficulty in accounting for all of the behavior of the parties here on the basis that they were negotiating the end of what could have proved to be a long battle on the matter of accounting, and that they were negotiating that in the light of representations to the effect that Piher was in shaky financial condition.

Any concessions made by CTS, if there were any, are readily understandable in light of those two considerations.

Now I turn to the question of whether the negotiations of the parties which led to certain written agreements should have been filed with the Patent Office. I will leave aside for the moment the question of when the interference was terminated and when the filing should have taken place.

Looking at the purpose of the statute, which is to require the filing of agreements which might be anti-competitive in nature, it is clear that an agreement which is not causally related to the termination of the interference need not be filed. I have already held that in my written opinion concerning this proceeding.

If you look at what occurred here concerning the interference, it is impossible to conclude [16] that what the parties were doing had any antitrust significance. The interference was fully litigated before the Patent Office, before the District Court, before the Court of Appeals. As a practical matter, it was over.

There is no evidence that Piher had anything to sell at that point as far as the interference was concerned. And there is no evidence, no credible evidence, that CTS believed it was receiving anything in the settlement as far as the interference was concerned.

I find, therefore, that the agreements in this case were not made in connection with or in contemplation of the termination of the interference, in the words of the statute.

Moreover, the agreements which were made were made after the interference was already terminated.

This brings us to an analysis of the question of when the interference was terminated.

I believe the termination, in the words of this statute, or within the meaning of this statute, must be given a practical construction, consistent with the legislative purpose.

It may be that termination in the context of this statute, or even in the context of this particular case under the

statute may not be the same as termination in some other context or under some other statute.

[17] And termination under this statute may not mean the same thing as becoming final under some other statute or judicial construct.

I have concluded ultimately that, in that practical construction of the statute, this interference was terminated on November 4, 1981, when the Court of Appeals decided in favor of CTS.

That construction overlooks the possibility of rehearing and certiorari. I believe, in the context of this case—and I underscore the word "this"—in the context of this case, that is the proper interpretation.

I believe that in the context of another case where, for instance, you might have had a two-to-one panel decision by the Court of Appeals, where novel questions might be involved, where there might even be a conflict with a different panel of the circuit, or a conflict with another circuit, that a Judge applying the statute in such a context would have to take into consideration the viability of a petition for rehearing or a petition for certiorari.

In other words, what I'm saying is, this statute cannot be mechanically interpreted or applied. It uses what sensibly can only be interpreted as a term of art when it uses the term "termination."

In this case there was no realistic chance [17] of rehearing being granted or certiorari being granted.

The petition for rehearing was denied on December 2nd. The mandate did not issue until December 10. It might be argued that December 2nd should be the date of termination, or that December 10, the date of the mandate, the second mandate, should be the date of termination.

I reject both of those propositions for the reasons I have just indicated.

And I point out further that, as a practical matter, the issuance of the mandate after the denial of the petition

for rehearing was not a significant event. Certainly by December 2nd it was clear that the Court of Appeals was not going to do anything more with this case.

To say that the case was still alive as far as the Court of Appeals was concerned, and for purposes of Section 135(c), for another eight days until the mandate issued, seems to me to be a proposition with no visible merit.

One would have to assume that, during the period December 2 to December 10, there was some possibility that the Court of Appeals might change its mind, that it might, sua sponte, decide to grant rehearing.

Such a possibility is not merely remote, [19] it is nonexistent in the facts of this particular case.

So if I am wrong about November 4 being the date of termination, then my next date of termination would be December 2, the date that the petition for rehearing was denied. I do not regard December 10 as being a significant event for the reason I have indicated.

Now, on November 4 there had been no talk of settlement, or at least the only talk of settlement might have had to do with setting up a meeting, but I'm not even sure that had occurred by November 4. So if I am correct in saying that November 4 is the date of termination obviously no agreement need have been filed.

If December 2 is the date of termination, then we must grapple with the question of whether any of the agreements prior to those of December 16 and January 14 can be considered agreements that should have been filed.

I reject completely the argument of Piher that these parties had entered into what they each believed was a binding agreement on the 25th of November.

Piher's testimony that it regarded itself bound at that time is absurd, in view of the history of this litigation, up to the present moment.

Here we have a party which is renouncing a [20] series of signed agreements, agreements A, B, and C, signed,

sealed, and delivered; utterly turning its back on the supposed solemnity of those agreements on the basis of what has to be the most sterile technicality that either side has come up with during the long history of this case.

Each side knows that there is nothing anti-competitive about the agreement that was arrived at in this case. Each side knows that the purpose and spirit of Section 135(c) has nothing whatever to do with this case. And yet Piher, in order not simply to get out of an agreement it entered into in apparent good faith, but to invalidate the patents of CTS, is now renouncing its agreements.

Now, for a party who does that to tell me that it regarded itself bound on the basis of an oral understanding reached at a conference on November 23, or any one of the obviously preliminary and preparatory drafts exchanged between the parties thereafter between then and the execution of the final agreements, is imposing unduly upon my credulity.

I find as a fact that Piher would have turned its back on any of these agreements at any time had it seen fit to do so, and would have asserted as a reason for doing so the fact that they were not final.

[21] It is perfectly apparent from this evidence that both sides regarded the writings that were exchanged prior to the signing of the agreement in principle on December 16 as drafts of an agreement that would not be considered binding until it was signed by both sides.

The statute is not interested in the filing of an agreement that does not represent the final agreement of the parties. The statute, as I read it, is interested in what the parties have actually agreed to. And the fundamental thing in this case is that both sides understood that there would be no agreement until it was signed by both sides and regarded by both sides as a final draft.

That is the whole purpose of an agreement in principle and the recitation in the agreement in principle that there would be further documents to be signed which would represent the actual agreement of the parties.

But even the agreement in principle was not executed by both sides and, therefore, did not become an agreement, an enforceable agreement, until December 16.

It could be argued that even the agreement in principle need not have been filed since it contemplated further agreements which would constitute the real agreements between the parties.

[22] I'm not sure that that's not the correct interpretation of what occurred here. Surely, if there had been a breach of the agreement the parties reached, it would not have been brought on the agreement in principle; it would have been brought on the license agreement or on the settlement agreement which contained all of the terms, and more terms than were contained in the agreement in principle.

And if January 14 is the appropriate date, clearly those agreements were executed long after the interference was terminated.

The same is true of the agreement in principle of December 16 since it was not fully executed and thus not an agreement in my view until six days after the mandate was filed. And the latest act I can conceive would be considered the termination of the interference would be the filing of that mandate.

I do not base my decision on either of the two new arguments which CTS has made here today and during the proceeding. That is, I do not base my decision on the argument that the Section 146 suit resulted in a termination of the interference at the time it was filed.

CTS may be correct in that argument, but I have not considered it [illegible]y and do not adopt it.

Secondly, I believe that Piher is correct in [23] its argument that the filing of the copy of the consent judgment would not constitute compliance with Section 135(c).

What we had in this Court was a consent judgment with agreements under seal; those agreements were not subject to the inspection of the Department of Justice without

an order so providing, which would have required their making a motion before me. And that is not the simple inspection procedure contemplated by Section 135(c), in my opinion.

Finally, I deny CTS' motion for attorneys' fees.

While I believe the motion of Piher to modify the judgment is without merit, I do not find that it is frivolous, and am unable to conclude that it is so obviously lacking in merit that it should be regarded as having been brought for harassment or only for purposes of delay or one of the reasons that might justify awarding fees.

The reviewing Court might feel differently; and if it does, I would be happy to carry out any mandate to award fees.

I believe that, whatever the merits of the arguments of the parties at various points during this long and arduous litigation, this latest motion is an imposition upon CTS, which negotiated in good faith and in good faith entered into what it believed were agreements that would terminate [24] the litigation.

It appears to me that neither side was aware of Section 135(c) at the time of the settlement or, in the alternative, that neither side believed it to be applicable.

In any event, I believe this motion to be an example of how technicalities can be used to prolong controversies.

The Piher witnesses talked about how they believed CTS has prevailed on technicalities in this case. And it seems anomalous to me that they were apparently unaware of how highly technical their own motion to modify is.

For those reasons the motion of Piher International Corporation and all other defendants to modify the final judgment order of January 25, 1981, is denied.

We have money on deposit, and that money has been held pursuant to a stay pending resolution of this motion.

I am now inclined to dissolve the stay and to order the funds on deposit with the Clerk to be turned over to CTS at such time as whatever obligations they are presently invested in come due or at such other time as is appropriate.

All right. That will be the order.

[25] MR. WYSS: Your Honor, do you want us to draft the order, or is it all drafted?

THE COURT: I think that's it. What I have just said is my order.

And what you might do is present a very short draft order, simply denying the motion and referring to these findings and conclusions; and in the event of an appeal, those findings and conclusions can be written up and made a part of the file.

There will probably be a motion to stay this order pending appeal, and from what I have already said, you can anticipate my ruling on that motion.

And to save everybody time, I'm going to enter that order now: Stay of this order pending appeal is denied. You can put that in the order.

(Which were all the proceedings had and taken in said cause on said date.)

[26] Certificate of Official Court Reporter omitted in printing.

APPENDIX E

LEGISLATIVE HISTORY

PATENT INTERFERENCES—PUBLIC NOTICE OF SETTLEMENTS

For text of Act see p. 1126

Senate Report No. 2169, Sept. 27, 1962 [To accompany H.R. 12513]
House Report No. 1983, July 17, 1962 [To accompany H.R. 12513]
The Senate Report is set out.

Senate Report No. 2169

THE Committee on the Judiciary, to which was referred the bill (H.R. 12513) to provide for public notice of settlements in patent interferences, and for other purposes having considered the same, reports favorably thereon, with an amendment in the nature of a substitute, and recommends that the bill, as amended, do pass.

PURPOSE

The purpose of this bill is to amend the patent laws to require the filing in the Patent Office of agreements settling patent interference proceedings. When two or more applicants claim substantially the same invention an interference is declared in order to determine which applicant is entitled to priority. Interference proceedings may be terminated in a manner hostile to the public interest by using patent interference settlement agreements as a means of restricting competition. To make such a practice more difficult the bill requires the filing of such agreements in the Patent Office.

PRINCIPAL PROVISIONS

The bill provides that no agreement or understanding between parties to an interference proceeding made in

connection with or in contemplation of the termination of the proceedings shall be enforcible unless in writing and a copy thereof filed in the Patent Office before the termination of the prceedings. The Commissioner is required to give notice of the filing requirement prior to the termination of the interference proceeding, and if the Commissioner does not give such notice until a later time, the parties may file the required agreements within 60 days of the receipt of such notice. It is further provided that the Commissioner of Patents may, on a showing of good cause for failure to file, permit the filing of an agreement during the 6-month period subsequent to the termination of the proceedings as between the parties.

The bill provides that if the party filing such agreements so requests, the filed copy shall be kept separate and made available only to Government agencies on written request, or to any person on a showing of good cause. H.R. 12513 also provides that failure to file a copy of a patent interference settlement agreement shall render permanently unenforcible any patent, of the parties, involved in the interference or any patent subsequently issued upon any application of the parties so involved. It is further provided in the bill that any discretionary action of the Commissioner shall be reviewable under section 10 of the Administrative Procedure Act.

STATEMENT

The Subcommittee on Patents, Trademarks, and Copyrights earlier this year withheld its approval from that portion of the Drug Industry Act of 1962, S. 1552, which would have required that every contract, agreement, or understanding entered into by an applicant for a drug patent with any other person, granting any rights with respect to the patent application, or for the purposes of having a patent granted, be in writing and filed with the Commissioner of Patents. This committee sustained the action of the subcommittee in refusing to approve this provision of the drug bill so as to permit the subcommittee to consider legislation then pending in the House of

Representatives which would have required the filing of all agreements pertaining to interference settlements and not confined merely to drug patents.

The following reports from the Departments of Commerce and Justice are herewith attached.

THE SECRETARY OF COMMERCE,
Washington, D. C., March 22, 1962.

HON. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Washington, D. C.

DEAR MR. SPEAKER: The Department of Commerce urges the introduction and enactment of the enclosed draft legislation to provide for public notice of settlements in patent interferences.

The President in his message on consumers, released on March 15, urged enactment of legislation to provide for the publication of the terms of all settlement agreements between different persons applying for patent rights on the same invention.

The purpose of such a statute is to provide assurances by the resulting availability of information to the public and to law enforcing agencies of the Government that such agreements do not have the effect of minimizing competition in a manner which is either illegal or, to the extent that publicity deters, otherwise detrimental to the public welfare.

Agreements or understanding made in connection with or in contemplation of the termination of an interference must be filed in the proceedings to be enforceable even between the parties.

To provide notice that there is present such an agreement in the record, available to the public, at the Patent Office, the Patent Office will in such a case, upon the ter-

mination of an interference involving a patent or an application on which a patent has subsequently issued, publish such information in the Official Gazette, a weekly publication of the Patent Office. Presently, in accord with section 135 of title 35 of the United States Code, and rule 11 of the Rules of Practice of the United States Patent Office in Patent Cases, information is published with respect to interferences involving patents in which the decision is adverse to the patentee.

It will thus be seen that the agreement will be available to the public, at the Patent Office, and that an easily available notice giving a patent number for reference to the record will be available to assist in looking up the agreement.

We are advised by Bureau of the Budget that enactment of this proposal would be in accord with the program of the President.

Sincerely yours,

EDWARD GUDEMAN,
Acting Secretary of Commerce.

DEPARTMENT OF JUSTICE,
OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D. C., April 30, 1962.

HON. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department of Justice on H.R. 11015, a bill to provide for public notice of settlements in patent interferences.

This legislation was introduced to implement a recommendation made by the President in his consumer message, submitted to the Congress on March 15. The Department of Justice urges its enactment.

Interference proceedings are conducted by the Patent Office in order to determine which applicant is entitled to priority when it is found that two or more applicants are claiming substantially the same invention. Before the parties submit evidence relating to the issue of priority, they are given the right to make a motion to dissolve or reform the interference if they believe the interfering claim is unpatentable or does not properly define the invention. If a party is ultimately successful in having the interference claim held unpatentable, he prevents himself and others from being precluded from making, selling or using the device which was the subject of the interfering claim and thereby opens the field to competition. The issue of patentability is heard and decided before the question of chronological priority of invention is reached. Parties to interferences frequently move to dissolve on the ground of unpatentability and are often successful. Interferences may also serve to restrict or narrow unwarrantedly broad claims before the patent application issues as a patent. The public is thus given the benefit of free and open competition since all persons, including the patent applicants, may make, use, or sell what is covered by the claim; furthermore, the issuance of invalid patents is prevented. In short, an interference permits the true first inventor to establish his priority and on occasion serves as an important check to prevent the issuance of unduly broad patent monopolies.

Recent experience has indicated that parties to interferences have, in some cases, used those proceedings to serve their own ends with little or no regard for the public interest. Interference settlement agreements have been entered into for the purpose of obtaining patents as broad as possible in order that they may be used by the parties to eliminate competition. The Supreme Court in holding a private interference settlement to be so inequitable as to preclude the enforcement of the resulting patent stated in Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 815-816, 65 S.Ct. 993, 80 L.Ed. 1381 (1945):

"* * * The possession and assertion of patent rights are 'issues of great moment to the public' [citing cases]. A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the 'progress of science and useful arts'. At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other equitable conduct and that such monopolies are kept within their legitimate scope. The facts of this case must accordingly be measured by both public and private standards of equity."

The purpose of this legislation is to make it more difficult for patent applicants to use an interference settlement agreement as a means of violating the antitrust laws. It seeks to accomplish this purpose by providing that no such agreement or understanding shall be enforceable unless all of its terms are in writing and filed prior to the termination of the interference proceeding. It is our view that this prohibition would not adequately deter violations of the antitrust laws. It is therefore suggested that the measure be amended to provide that parties to an interference settlement agreement shall be precluded from enforcing the resulting patent unless a copy of the settlement agreement has been filed with the Patent Office prior to the termination of the interference. In order to protect innocent parties who inadvertently fail to file a copy of their settlement agreement, the Commissioner of Patents should be given the authority to entertain, at any time during the 6-month period subsequent to the termination of the interference, a petition by either party for leave to file a copy of the agreement, which petition may be granted on a showing of good cause for the failure to file within the time prescribed. Further, it is suggested that the bill should provide a right of action in the United States to obtain a civil penalty for failure to file a copy of an interference agreement.

If the committee desires it, the Department of Justice will gladly lend its assistance in drafting provisions embodying the amendments herein proposed.

The Bureau of the Budget has advised that there is no objection to the submission of this report.

Sincerely yours,

NICHOLAS DEB. KATZENBACH,
Acting Deputy Attorney General.